

## Opening the General Ledger

In opening the General Ledger, local educational agencies (LEAs) should take care to use the proper accounts and amounts. These are usually available from either the county superintendent of schools or the county auditor.

*Determining the values of assets, liabilities, and fund balances.* One of the first steps in opening the General Ledger is to list each fund's assets, by title and amount, and total them, as in the following example:

### General Fund

<i>Account</i>	<i>Assets</i>	
9110	Cash in County Treasury .....	\$100,042.67
9130	Revolving Cash Account.....	500.00
9140	Cash Collections Awaiting Deposit .....	24.17
9150	Investments .....	0
9160	Accounts Receivable .....	1,597.18
9170	Due from Other Funds .....	694.39
9210	Stores .....	0
	Total Assets .....	\$102,858.41

A similar list is then made of the fund's liabilities:

<i>Account</i>	<i>Liabilities</i>	
9510	Accounts Payable.....	\$ 9,763.45
9520	Due to Other Funds .....	113.18
	Total Liabilities .....	\$ 9,876.63

Now, the total liabilities are subtracted from the total assets, and the difference is labeled "Fund Balance," in the following manner:

<i>Account</i>		
	Total Assets .....	\$102,858.41
	Less Total Liabilities .....	9,876.63
9610– 9790	Fund Balance.....	\$ 92,981.78

This information is now used to prepare an opening journal entry. This entry, usually made on a form known as a General Journal Entry Form, lists affected accounts and shows in separate columns the amounts to be posted later to the General Ledger as debits or credits. A complete file of these forms, either bound in a book or collected in some other file, makes up the General Journal.

## Preparing the Opening Entry

The opening General Journal entry is made as follows:

**J1**

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
7/1/02	9110 Cash in County Treasury .....	\$100,042.67	
	9130 Revolving Cash Account.....	500.00	
	9140 Cash Collections Awaiting Deposit .....	24.17	
	9160 Accounts Receivable.....	1,597.18	
	9170 Due from Other Funds .....	694.39	
	9510 Accounts Payable.....		\$ 9,763.45
	9520 Due to Other Funds .....		113.18
	9790 Undesignated/Unappropriated Fund Balance.....		92,981.78
		<u>\$102,858.41</u>	<u>\$102,858.41</u>
<b>To record the opening entry in the General Fund as of July 1, 2002</b>			

This process would be followed for each of the LEA's funds.

Several points should be noted, as illustrated in the preceding General Journal entry. First, no account is opened that is not needed. For example, no amount is shown in the original list of assets for Investments or Stores. Therefore, no account was opened for any of these assets. If a need should arise later in the year for any of these accounts, the accounts may be opened at that time.

The second point to note is that the total of the debit amounts equals the total of the credit amounts. *This must always be true of any journal entry.* Care exercised in ensuring that debit and credit totals are equal will prevent difficulty with the General Ledger.

A final point to note is the description of the entry, which explains what is being done by means of the entry. In the example, it is noted that this entry records for the first time the assets, liabilities, and fund balance of the fund as of July 1, 2002. Some description is always necessary in a General Journal entry.

## Posting the General Ledger

The General Ledger is posted from the General Journal. The term *posted* refers to the orderly transcription of information from a journal to a ledger. Each line of the journal is posted to the proper ledger account as either a debit or a credit entry. For example, the first line of the preceding journal entry is “Cash in County Treasury . . . \$100,042.67”; it is posted to the General Ledger as follows:

Account 9110		Cash in County Treasury			Page 1
<i>Date</i>	<i>Reference</i>	<i>Debit</i>	<i>Credit</i>	<i>Balance</i>	<i>Dr/Cr</i>
7/1/02	J1	\$100,042.67		\$100,042.67	Dr

Note that the entry is made in both the debit column and the balance column. In this case, the amount of the debit is the same as the balance since there was no previous balance in the account. If there had been a balance, this entry would have been added to a debit balance or subtracted from a credit balance, and the new balance would have been entered. Finally, an entry is made in the last column to show that the new balance of this account is a debit (Dr) balance.

Each line of the journal entry is similarly posted until the entire opening entry has been transcribed to the General Ledger. The opening of the General Ledger is now complete. At this point, a total of eight General Ledger accounts will be open, and their balances will match those in the opening journal entry.

The “Reference” column in the General Ledger account is used to record, by page number or other reference, the source of the entry. In this illustration the entry “J1” was made to indicate that information for this entry was obtained from the General Journal (abbreviated as “J”) and that it was found on page 1. Other references will be developed for other posting sources as they are required. By this method any item in the General Ledger may be traced easily to its origin.

